

**SENATE OF VIRGINIA**

# **Senate Finance Committee**

## **Overview of the Governor's Proposed Amendments to the 2010-2012 Budget for Public Education and Other Education Agencies**

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**Education Subcommittee**

**January 11, 2011**

# Overview of Proposed Amendments to Public Education

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- The Governor's proposed amendments to Direct Aid to Public Education would result in a **net decrease of \$24.8 million GF for FY 2011 and \$25.3 million GF for FY 2012** when compared to Chapter 874, 2010 Session.
  - Results in a total appropriation of **\$4,714.5 million GF for FY 11 and \$4,877.8 million for FY 12.**
    - **Where were we in FY 10?** The original appropriation of \$5,923.9 million GF in the 2008 Session was reduced to \$4,769.8 million by the 2010 Session.
    - Below the final FY 07 appropriation of \$5,226.4 million GF.

# One-Time Federal Stimulus Funding

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- Federal American Recovery and Reinvestment Act (ARRA)  
State Fiscal Stabilization Funds (SFSF) (February 2009)
  - **FY 10:** \$584.2 million
  - **FY 11:** \$122.9 million
  - **FY 12:** \$0
- Federal EduJobs Fund (August 2010)
  - **FY 11 or FY 12:** \$249.5 million
  - Appropriated administratively, not reflected in SB 800 amendments

# Summary of Direct Aid to Education Proposed GF Amendments

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(\$ in millions)	FY 2011	FY 2012
2.0 Percent VRS Employer Share Rate Increase	\$0.0	\$53.2
Update Sales Tax Projections	19.5	21.0
Offset Federal ARRA Funds Shifted to HE	3.4	0.0
Pilot Performance Pay in Hard-to-Staff Schools	0.0	3.0
Update Literary Fund Forecast	2.0	(2.0)
Update Incentive and Categorical Programs	(4.3)	(3.8)
Update FY11 LCI Hold Harmless	(8.4)	0.0
Update Lottery Programs, Use to Cover More GF	(19.8)	(13.2)
Update Fall Membership and ADM Projections	(17.3)	(26.0)
Eliminate FY 12 Composite Index Hold Harmless	<u>0.0</u>	<u>(57.6)</u>
<b>Net GF Change</b>	<b>(\$24.8)</b>	<b>(\$25.3)</b>

# Summary of Direct Aid to Education Proposed GF Amendments

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- Several technical updates, including sales tax (up) and enrollment projections (slower statewide, but higher in virtual program) and actual participation data.
  - Recommends using savings from technical updates to the Lottery programs to cover more General Fund programs.
- A handful of policy changes proposed:
  - Accelerate funding for VRS by increasing the employer rate.
  - Allow VRS member contribution to be paid by current teachers, required for all new teachers.
  - New performance pay pilot in hard-to-staff schools.
  - Eliminate second year Composite Index Hold Harmless.

# Technical Updates

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- Net increase of \$40.5 million over the biennium due to an increase in sales tax revenue projections.
- Adds \$3.4 million GF in FY 11 to offset a like reduction in federal ARRA funds for K-12 due to required revisions to the K-12/Higher Education split calculation based on federal guidelines and the final actions adopted in Chapter 874.
- Shifts \$2.0 million GF from FY 12 to FY 11 to offset a like FY 11 reduction and FY 12 increase in the Literary Fund forecast.
  - Brings to \$139.6 million in FY 11 and \$130.1 million in FY 12 Literary Fund revenue used for retirement and social security costs.
- Reduces funding by \$292,500 in FY 11 based on the expected national board certification awards, bringing the total appropriation to \$4.7 million for 1,628 teachers.

# Technical Updates (continued)

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- Captures \$43.2 million over the biennium due to slower net projected enrollment growth of about 0.5 percent - 1,209,762 students in FY 2011 and 1,216,938 students in FY 2012.
  - Includes an increase of \$4.5 million over the biennium for Carroll County, which currently has enrolled about 350 students from outside the division across the state in its contracted virtual program, including about 150 who were previously home schooled or enrolled in private school.
- Also saves \$8.4 million in FY 11 by updating the first year composite index hold harmless funding for enrollment projections as well as final actions in Chapter 874.

# Lottery Proceeds

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- Recommends using \$33.0 million over the biennium in savings in Lottery funded programs from technical updates and an increase of \$675,000 in projected revenue in FY 12 to cover portions of accounts previously funded with General Funds.
- Proposes new language directing DOE to prorate textbook funding in the event of a Lottery Proceeds revenue shortfall.
  - Actions adopted in Chapter 874, 2010 Session eliminated a “balancer” account.
- **Virginia Preschool Initiative:** Proposes increasing the assumed non-participation rate in FY 2012 to 23.08 percent from 21.70 percent. New proposed language clarifies that VPI funding may not be used for capital outlay.

# FY 12 Composite Index Hold Harmless Re-programmed

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- Chapter 874 included \$116.5 million GF in FY 2011 and \$57.6 million GF in FY 2012 for 'hold harmless' supplemental grants of 100 percent and 50 percent, respectively, for the 97 school divisions whose composite index had increased from the 2008-10 biennium to the 2010-12 biennium as a result of the routine re-benchmarking process from 2005 to 2007. (For the 2012-14 biennium, 2009 tax data will be used.)
- The Governor recommends re-programming the \$57.6 million GF in FY 2012 from the 'hold harmless' funding account to instead support the state's share of the 2 percent increase in the employer contribution rate for retirement and the teacher performance pay pilot initiative.

# Composite Index Formula

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## Average Daily Membership (ADM) Component =

$$.5 \left[ \frac{\text{Local True Values}}{\text{Local ADM}} \right] + .4 \left[ \frac{\text{Local Adjusted Gross Income}}{\text{Local ADM}} \right] + .1 \left[ \frac{\text{Local Taxable Retail Sales}}{\text{Local ADM}} \right] \\ + .5 \left[ \frac{\text{State True Values}}{\text{State ADM}} \right] + .4 \left[ \frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \right] + .1 \left[ \frac{\text{State Taxable Retail Sales}}{\text{State ADM}} \right]$$

## Population Component =

$$.5 \left[ \frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[ \frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[ \frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right] \\ + .5 \left[ \frac{\text{State True Values}}{\text{State Population}} \right] + .4 \left[ \frac{\text{State Adjusted Gross Income}}{\text{State Population}} \right] + .1 \left[ \frac{\text{State Taxable Retail Sales}}{\text{State Population}} \right]$$

## Final Composite Index =

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$



# Accelerate VRS Employer Rate

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- Recommends \$53.2 million GF in FY 2012 for the state's share of the cost of increasing the retirement system employer contribution rate by 2.0 percent, from 5.16 percent to 7.16 percent in FY 2012, up from 3.93 percent in FY 2011.
  - Chapter 874 employer rates of 3.93 percent in FY 2011 and 5.16 percent in FY 2012 which reflected funding the “normal” rate and the “normal” rate plus 20 percent of the unfunded actuarial liability, respectively.
  - Increases local costs by over \$100 million.

# Teachers' VRS Member Contribution

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- **Proposed Language (in Central Appropriations):**
  - **Current employees (hired prior to July 1, 2010):** Allow school boards to require their current employees to pay the 5 percent employee contribution only if the employee's base salary is increased by at least 3 percent at the same time.
    - **Employees hired between July 1, 2010 and July 1, 2011:** For teachers hired on or after July 1, 2010, the Code currently requires such employees to pay the 5 percent employee contribution, but also allows school boards the option of paying either the entire, or a portion of, the 5 percent for this group of employees. A technical amendment is expected to clarify the intent of the proposed amendment regarding this group.
  - **New employees (hired on or after July 1, 2011):** Must pay the 5 percent employee contribution, with no option for the school divisions to pay any portion of the contribution rate.
  - *Note: There is no state savings from these actions because the SOQ does not include the 5 percent employee contribution.*

# Pilot Performance Pay in Hard-to-Staff Schools

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- Recommends \$3.0 million GF in new funding for FY 2012 for competitive grants for school divisions to pilot models for awarding performance pay for instructional personnel in hard-to-staff schools, in hopes of improving Virginia's position for additional federal funding and providing a more competitive pay structure for teachers.
  - The Department of Education would establish guidelines and award funds on a competitive grant basis to school divisions that apply by June 15, 2011. A significant component of the performance evaluation must include measurable and appropriate achievement goals for student progress, including the state-provided growth measure when available.

# Direct Aid - SOQ

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(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>
<b>Standards of Quality Programs</b>		
Basic Aid (excluding State Fiscal Stabilization Funds)	\$2,746.7	\$2,870.9
Sales Tax	1,123.1	1,162.3
Textbooks (split funded)	10.6	6.8
Vocational Education	66.0	66.0
Gifted Education	30.9	31.1
Special Education	361.7	362.6
Prevention, Intervention, and Remediation	69.5	69.4
VRS Retirement	104.0	178.7
Social Security	175.6	176.1
Group Life	<u>6.5</u>	<u>6.5</u>
<b>Subtotal SOQ (In this Item)</b>	<b>\$4,694.7</b>	<b>\$4,930.3</b>
SOQ Funded from State Fiscal Stabilization Funds, Item 133	<u>\$122.9</u>	<u>\$0.0</u>
<b>Total</b>	<b>\$4,817.6</b>	<b>\$4,930.3</b>

# Direct Aid – Incentive and Categorical

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Incentive Programs (\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>
Governor's School	\$13.8	\$14.6
Clinical Faculty	0.3	0.3
Career Switcher Mentoring Grants	0.3	0.3
Special Education - Endorsement Program	0.6	0.6
Special Education - Vocational Education	0.2	0.2
Composite Index Hold Harmless Supplement (split funded)	88.3	0.0
Performance Pay Initiative	<u>0.0</u>	<u>3.0</u>
<b>Total</b>	<b>\$103.5</b>	<b>\$19.0</b>
<b>Categorical Programs</b>		
Adult Education	\$1.1	\$1.1
Adult Literacy	2.6	2.6
Virtual Virginia	2.4	2.4
American Indian Treaty Commitment	0.1	0.1
School Lunch	5.8	5.8
Special Education - Homebound	5.0	5.3
Special Education - Jails	3.7	4.1
Special Education - State Operated Programs	<u>\$31.1</u>	<u>32.8</u>
<b>Total</b>	<b>\$51.8</b>	<b>\$54.1</b>

# Direct Aid – Lottery Proceeds

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(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>
Foster Care	\$10.4	\$11.3
At-Risk Add-on	64.0	64.0
Virginia Preschool Initiative	60.5	67.1
Early Reading Intervention	13.4	13.4
Mentor Teacher	1.0	1.0
K-3 Primary Class Size	72.7	75.3
School Breakfast Program	2.5	2.9
SOL Algebra Readiness	9.1	9.1
Alternative Education	6.7	7.0
ISAEP	2.2	2.2
Special Education - Regional Tuition	71.0	76.0
Career and Technical Education - Categorical	10.4	10.4
No Child Left Behind/Education for a Lifetime	4.7	4.7
Project Graduation	2.8	2.8
Supplemental Basic Aid	0.9	0.9
Remedial Summer School	20.8	21.5
English as a Second Language	37.5	40.2
Textbooks (split funded)	24.8	26.0
Composite Index Hold Harmless Supplement (split funded)	<u>19.8</u>	<u>0.0</u>
<b>Total</b>	<b>\$435.2</b>	<b>\$435.9</b>

# Department of Education (Central Office)

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## Proposed Spending

- \$125,000 GF in FY 2011 for final costs associated with the disposition of the campus of the former VSDB in Hampton.
- \$100,000 GF in FY 2012 for Career Pathways.

## Proposed Savings

- Supplants \$989,575 GF with IDEA, Title I, and Career & Technical Education federal funds.
  - Also adjusts the NGF appropriation by \$21 million.
- Eliminates 2.5 vacant positions.
- \$25,000 GF in FY 2012 for copier costs;
- \$20,000 GF in FY 2012 by replacing periodic on-site reviews of the local Virginia Preschool Initiative programs with desk reviews;
- \$20,000 GF in FY 2012 in non-personnel administrative support for career and technical education programs; and
- \$8,000 GF in FY 2012 for monthly meeting expenses for the eight regional local superintendents planning groups.

# Virginia School for the Deaf and Blind

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- Recommends \$50,000 GF in FY 2011 and \$55,000 GF in FY 2012 for maintenance and utility costs associated with new and renovated buildings.
- **Capital.** Proposes \$865,000 in bond proceeds for equipment for the new educational building and dormitories.

# Other Education

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- **Virginia Museum of Fine Arts**
  - Recommends \$4.3 million NGF and 11.5 positions in FY 2012 for food services, special events, and the gift shop. There is a corresponding reduction in GF positions.
  - Proposes \$4.0 million NGF in FY 2011 for private donations to cover expenses associated with the Picasso exhibition scheduled for the Spring of 2011.
  - Proposes reducing funding by \$71,220 GF in FY 2012 by eliminating the position of a retiring staff member. Two other staff members will absorb the responsibilities of the retiring staff member.
  - Recommends reducing funding by \$25,000 GF in FY 2011 and \$50,000 GF in FY 2012 by changing temperature and humidity levels within the museum based on updates to the American Association of Museum's standards.
  - Proposes a reduction of \$7,200 GF in FY 2011 and \$10,000 GF in FY 2012 by discontinuing one telephone circuit that is no longer needed.
- **Jamestown-Yorktown Foundation**
  - Proposes a reduction of \$61,783 GF each year. Reductions in FY 2011 will be met through use of estimated year end balances and a decrease in utility costs. FY 2012 cuts will require further reductions in utility costs.
  - Reduces funding by \$86,795 GF in FY 2012, partially offset by a \$56,323 increase in nongeneral fund revenues. The reduction will be met through reduced hours for full-time staff and wage positions.
- **Library of Virginia**
  - Recommends reductions of \$31,081 GF in FY 2012 for travel, professional development, and equipment and supplies; \$27,710 GF in FY 2012 for facilities maintenance supplies and services; \$20,000 GF in FY 2012 for equipment and supply purchases; \$11,383 GF in FY 2012 for the purchase of library serials; and \$11,363 GF in FY 2012 for exhibition costs.
  - Proposes replacing \$38,791GF and 0.91 FTE in FY 2012 with like amounts from nongeneral fund revenue sources.

# Other Education (continued)

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- **Science Museum of Virginia**
  - Proposes reductions of \$72,046 GF in FY 2012 related to the reduction of marketing positions.
  - Recommends reductions of \$20,625 GF in FY 2012 to reflect savings related to wage positions.
  
- **Virginia Commission for the Arts**
  - Recommends reductions of \$75,896 GF in FY 2012 for grants to community arts organizations.
  
- **Frontier Culture Museum of Virginia**
  - Recommends a technical adjustment to the nongeneral fund appropriation by \$90,000 in FY 2011 to more accurately reflect revenue generated.
  
- **Gunston Hall**
  - Proposes savings of \$4,890 GF in FY 2011 due to the implementation of energy saving strategies.

# Public Broadcasting

## Moved to Secretary of Education in Ch. 874

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- Proposes reducing state funding through the Virginia Public Broadcasting Board by half in FY 12, with the intention of eliminating the support beginning in FY 13.
  - Ch. 874 (2010) reflects a \$730,073 reduction in community service grants for public television stations.

	Ch. 874	SB 800 Reductions
Community Service Grants (CSGs) – Public TV stations*	\$1,444,192	(\$957,872)
Community Service Grants (CSGs) – Public radio stations	471,551	0.0
Instructional telecommunications thru Regional Schools Contracting and Planning Committees (RSCPSs)	2,101,173	(\$1,110,668)
Radio reading service – Virginia Voice, WMRA, WVTF, WHRO, Washington Ear	<u>120,163</u>	<u>0.0</u>
	<b>\$4,137,079</b>	<b>(\$2,068,540)</b>

# Public Broadcasting

## Code of Virginia

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- **Public Purposes:** It is found and determined by the General Assembly that there exists in the Commonwealth a need to support and capitalize on the universal access of public broadcasting to: (i) enrich the lives of all citizens of the Commonwealth without regard to their geographic location or economic status by providing them with programs and services that educate, inform and enlighten; (ii) improve and enhance the educational opportunities available to children from pre-kindergarten through secondary schools, adults, home educators, and students and personnel at colleges and universities of the Commonwealth; (iii) provide the citizens of the Commonwealth with comprehensive information on the activities of state government; (iv) maintain and improve the public broadcasting stations' infrastructures for distribution of broadcast and related services; (v) promote economic development through the wider availability of worker-training and job-skills enhancements; (vi) promote tourism through the widespread distribution of programming that recognizes and displays Virginia's historical, educational, recreational and cultural resources; and (vii) improve efficiency in state government through the use of public broadcasting production and distribution systems. (1997, c. [858](#), § 2.1-563.27:1; 2001, c. [844](#).).
- Virginia Public Broadcasting Board
  - Governor appoints 11 members, one from each congressional district of the Commonwealth, confirmed by the General Assembly. (Three shall have expertise in at least one of the areas of education, tourism, telecommunications, and economic development, and two shall be participating members of public broadcasting stations in the Commonwealth.)
  - The president of the State Board of Education and the chairmen of the State Board of Community Colleges and the Board of Trustees of the Virginia Museum of Fine Arts, or their designees, shall serve as Board members concurrent with their terms in office.
  - No Board member shall be the chief executive officer or head of any state agency, a member of the General Assembly, or an officer, director, employee, or member of the board of directors of any public broadcasting station.

# College Lab Schools Initiative

## Office of the Secretary of Education

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- Proposes \$600,000 GF in FY 12 for institutions of higher education, as selected by the Secretary of Education, to plan for the development of College Partnership Laboratory Schools, as defined in Chapter 871 of the 2010 Acts of Assembly.